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It is a unique honor to be invited to return to my native Nebraska -- and only 50 miles from St. Paul, where I grew up -- to discuss that subject so vital to us now as it was then -- agriculture.

Agriculture was important to me before I recognized it. My parents, as publishers of the St. Paul Phonograph, were completely dependent on an agricultural economy for our family income.

That much has not changed. The economic health of every rural community, and indeed all of Nebraska, remains dependent on a healthy agriculture.

But much has changed in the 30 years since our family pulled up stakes in Howard County.

For one thing, irrigation has changed the nature of crop production in much of this State.

For another, the nature and the complexity of Federal farm policy has undergone a gradual but sustained evolution over that period of time.

Remarks prepared for delivery by James C. Webster, Acting Director, Office of Governmental and Public Affairs, before the Nebraska State Department of Agriculture's Agricultural Progress Conference, Kearney, Nebraska, November 27, 1978

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Especially in the past decade, it has become more and more evident that a balanced and unified policy for food and agriculture is an absolute necessity.

No longer is it realistic to deal with food production and its price, transportation, processing, distribution, exports, and ultimate consumption as separate and unrelated problems. There are real concerns about food safety and quality, human nutrition, the quality of life and economic opportunities in rural America.

Food and agriculture in all its component parts -- balance of payments, inflation, unemployment and government program costs -- are a single problem demanding a comprehensive policy. Food is too important to our national security, to our economy, to world trade, to be allowed to be polarized into contradictory and unrelated programs.

The Carter Administration has made a commitment to America that economic stability in food and agriculture is and will continue to be a cornerstone of federal policy.

To the extent possible -- and considering all the uncertainties in food production and the effects of inflation -- we are now approaching a level of reasonable stability. Supply is more in line with the market, more adequate food reserves are in place, foreign export markets are improving, and farm prices are stronger but still quite reasonable to consumers.

We are moving toward a new economic stability without unnecessary controls on either the farmer or the marketplace. Farmers have complete flexibility and freedom of operation, consumers are protected by adequate reserves, and markets are relatively free to operate as before.

I submit our modest but adequate balanced and unified food and agriculture policy is working for the benefit of all.

Consider the results of this comprehensive policy.

Net farm income, which was only $21 billion in both 1976 and 1977, is expected to exceed $26 billion this year -- third highest on record. Off-farm income is expected to be a record $36 billion, with net farm income from all sources projected to be an unprecedented $61 to $62 billion.

Although debts of farmers continue to climb, assets also increased in value to a record level, so that when debt is compared to assets, farmers are in sound financial shape once again.

American exports of farm products reached a record high of $27.3 billion, nearly 14 percent above the record of the previous year. Export volume was also a record 122 million metric tons, led by substantial gains in wheat, feed grains, and soybeans. And agriculture's net contribution to the U.S. trade balance, which is vital to the strength of the dollar, was $13.4 billion.

Prices received by farmers for their products are nearly 23 percent higher than a year ago when the omnibus farm bill was passed. Corn prices are up 18 percent; wheat is 32 percent higher; soybean prices increased 21 percent; cattle, after four years of losses have rebounded nearly 52 percent, while hog prices are 28 percent higher than October 1977.

Farm credit under the Carter Administration has more than doubled from a year ago, from $2.4 to $5 billion -- credit that, together with Secretary Bergland's moratorium on foreclosures, helped many farmers and ranchers stay in business. Of this, nearly a billion dollars went to newer farmers, many of them struggling for a step-up into a place of their own.

In all, investment in rural America -- including housing, community facilities, business and industry -- was up by one-third this year and has nearly doubled since President Carter took office. And these are not give away programs. About 93 percent of all Agriculture Department investments in rural America are loans repaid with interest.

Revisions we are making in the food stamp program represent a major step to improve the effectiveness and operation of federal programs. Beginning January 1, the program will eliminate nearly a half-million less needy households while assuring that we get coupons to those most in need. By eliminating the requirement that poor families buy their stamps, several million low income persons -- mostly the elderly poor and working poor -- who could not afford to buy them will be able to obtain a more nutritious diet.

We've focused the school lunch program, once a way to get rid of our commodity surpluses, on the nutritional needs of 26 million school children with new menu patterns that, we hope, will cut down on plate waste.

The diets of 6 million low-income Americans have been improved because of the food and nutrition education program.

These accomplishments are due, in large measure, to a high degree of acceptance by farmers of this overall national farm and food policy and its programs.

This is especially true in Nebraska, where 72 percent of your farmers and ranchers are participating in the wheat and feed grain set-aside and diversion program, thus assuring themselves of reasonable price protection while bringing production into a better balance with demand.

Nebraska farmers have also taken advantage of the voluntary grain reserve to ensure that their Government does not have to repeat the ill-fated grain embargoes of the past. More than a billion bushels of wheat and feed grains are isolated from the marketplace in this reserve. About 32 percent of the corn and 42 percent of the sorghum is Nebraska farmer-grown and farmer-owned.

But today farmers and consumers face a problem that has more to do with their stability and prosperity than any food and agriculture policy ever devised.

I am referring to inflation and measures this Administration is taking to arrest it.

The American economy is caught in a sort of momentum of inflation -- a tail-biting chase between wages and prices that has its roots in the big price increases in oil and other commodities several years ago. Those price increases pulled billions of dollars of purchasing power from American pocketbooks.

Since then, workers, farmers, and businessmen have been seeking higher prices and higher wages to try to recapture that buying power. But it is gone forever.

One of the things that has kept people from doing anything about inflation is the constant search for one person, one villian that we can blame for inflation. We all seek to blame it on someone other than ourselves.

There is also the notion that somehow some swami with a crystal ball is going to find the magical solution to this problem of inflation. Well that's not going to happen either.

For 30 years we never faced up to the problem of inflation. And it has only gotten worse. Not as bad as Argentina, from which I returned two weeks ago, where the annual rate of inflation is now greater than 120 percent. In October alone, the cost of living in Argentina increased nearly 10 percent -- more in one month than the United States usually has in a single year.

Now we have reached a point where Americans and their economic system cannot co-exist with inflation any more. The upward spiral must be broken before it breaks us.

We cannot control inflation unless and until the government scales down the magnitude of its inflationary actions.

That is exactly what President Carter is doing in his anti-inflation thrust. The government is taking the lead by cutting the budget deficit, slashing federal hiring and reducing the federal work force, restraining federal pay, delaying further tax cuts, and removing needless regulations.

In return the President is asking Americans to practice self-restraint -- to take pay raises of not more than 7 percent, and to keep the price increases of goods and services to at least one-half of a percentage point below the average of the increases that were levied during 1976 and 1977.

This Administration will not repeat the mistakes of the past in attempting to deal with inflation -- wage and price controls. Controls will not produce justice. They are not a solution. In the past they gave us both unemployment and inflation.

Farmers are among the hardest hit by inflation and the least able to deal with its effects.

They are caught in the classic cost-price squeeze because inflation has pushed up the prices of things they buy -- such as equipment, fuel, fertilizers and building materials -- without equal increases in prices they receive for their crops and livestock.

Unlike other businesses and industries, farmers cannot push up the prices of their crops and livestock to recover their increased costs. Instead, they try to adjust to higher prices for production items by increasing productivity or by simply cutting back on purchases and production.

What the President's anti-inflation measures will do for farmers, more than anything else, is assist them in trimming costs of production by checking the ugly price spiral of the goods and services they need to produce. Inflated farm costs are one of the most devastating problems farmers have to reckon with in the war against inflation.

In the long run, stability of costs can bring about greater benefits to farmers than substantially higher prices for their products.

The President, however, is not attempting to apply guidelines to prices of farm products which, by and large, are set in free markets and vary erratically with the uncertainties of weather, disease and markets. But he pledged to monitor marketing margins to ensure they reflect farm prices and marketing costs fully and accurately.

Because of this Administration's attack to curb inflation, farmers can expect a frugal Agriculture Department budget next year. We will have fewer workers on the payroll. Low-priority programs will be curtailed or postponed. Overlapping services and unnecessary regulations will be dropped.

But farmers can expect that programs which maintain income, exports, credit, and food aid to the needy will not be substantially altered so that the most basic element of our food policy -- an adequate food supply -- will continue to be realized.

This Administration has created a new dimension in food and agriculture policy -- stability. Now it is up to all Americans -- farmers and consumers alike -- to share the burden of fighting inflation so we can add a new dimension of stability to our economy.

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